GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3238
ANSWERED ON:05.08.2016
Poor Saving Habit
Chinnaraj Shri Gopalakrishnan

Will the Minister of FINANCE be pleased to state:

(a) whether as per the recent study, 47 per cent of working people in India have not started saving for their future or have stopped or faced difficulties while saving and if so, the details thereof;

(b) whether the Government has analysed the reasons for such a low saving habit and if so, the details thereof; and

(c) whether the Government has any proposal to improve and encourage serving people to save more for their future and if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)
(a) A survey by HSBC (Hong Kong and Shanghai Banking Corporation Limited) named 'Generations and Journeys' observed that "a large number (47 per cent) of working age people in India have either not started saving for their retirement or have stopped or faced difficulties while saving for their future." The report also observed that 21 per cent of the working age population surveyed have not even started saving for retirement.

(b) Household saving has two componentsâ€"financial saving and physical saving. Household financial savings consists of their savings in terms of financial assets like bank deposits, shares and debentures, etc. Household physical saving consists of household construction, their possession of machinery and equipment and valuables, etc. It is not clear from the published report of the HSBC Survey whether it refers only to the financial savings of the Indian labour force. The data from the National Accounts reveal that in 2014-15, Indian households saved about 19.1 per cent of the of the Gross domestic product, of which their physical savings consisted of 11.4 percentage points and financial savings consisted of 7.7 percentage points, indicating that Indian households save more in physical form than in financial assets. The Survey conducted by the National Sample Survey Office during January-December 2013 on Household Assets and Liabilities revealed that about 82.2 per cent of the rural households and 81.1 per cent of the urban households reported possession of bullion and ornaments. The strong bullion preference of Indian households, along with the generally high inflation and inadequate access to banking and financial channels that prevailed during the last decade, to a great extent, explained the saving behavior of Indian households.

(c) Keeping in view the need to improve financial inclusion and the channels for financial savings, various measures have been taken by the Government. Under the landmark initiative of the Government for financial inclusion- Pradhan Mantri Jan-Dhan Yojana (PMJDY) − about 22.65 crore of bank accounts have been created till 27th July 2016 with a balance of over Rs.40750 crore in these accounts. The initiatives like the re-launch of the certificate savings scheme called Kisan Vikas Patra; Sukanya Samriddhi Yojana to contribute to the financial security to the girl child; and measures taken to rein in inflation; can also add to the financial savings of households. The other initiatives like: increase in the limit of deduction under the Income Tax Act for health insurance premium, contribution to specific pension funds and contribution by the employees to National Pension Scheme; and, increasing the access to formal financial system by utilizing the postal network; also have the potential to boost household savings. Availability of more financial and banking channels is likely to encourage people to save more in financial assets. Government's initiatives like Make-in-India, Skill India, Start-up India, Stand-up India and other measures to boost productive activities and employment are also likely to improve the savings of Indian labour force.
*****